

Nevada Social Studies Standards Economics Glossary

Barter: Direct trading of **goods** and **services** between people without using **money**.

Benefit: A satisfaction obtained.

Borrowing: Contracting to receive **money** that must be paid back with **interest**.

Choice: A selection from a set of alternatives.

Circular Flow of Economic Activity: A descriptive model that shows that households pay businesses for **goods** and **services**; businesses pay households for productive **resources** (natural, human, capital); both households and businesses pay taxes to the government so government can provide public **services**.

Commodity: An object that can be used as **money**, but also have value of their own.

Competition: The rivalry among sellers and rivalry among buyers in a **market**.

Consumer Price Index (CPI): An index that measures the average level of **prices** of **goods** and **services** typically consumed by an urban American family.

Consumer: A person who buys and uses **goods** and **services**.

Corporation: A business with multiple owners, where it and its officers are individually liable, but all owners (shareholders/stockholders) are not.

Cost: Anything given up when a **choice** is made.

Credit: The act of **borrowing money** or purchasing **goods** over time.

Deflation: A decrease in the general level of **prices**.

Demand: (n.) The quantity of a **good** or **service** that buyers are willing to buy. (v.) To offer to buy **goods** and **services**.

Discount Rate: The **interest rate** that **banks** must pay when they borrow from the Federal Reserve.

Employment: The condition of working for pay.

Entrepreneur: An individual who creatively combines **resources** to produce a **good** or **service**.

Exchange Rate: The **price** of one country's currency in terms of another country's currency.

Export: **Good** or **service** produced domestically and sold abroad.

Externality: A positive effect (e.g., a **benefit** of immunization programs, accruing to those not immunized) or a negative effect, (e.g., health care **cost** due to industrial pollution) generated by an activity that impacts people who do not participate in the activity.

Fiscal Policy: Federal government actions related to government spending and/or taxation.

Good: An object that can satisfy **wants** (e.g., a car).

Gross Domestic Product (GDP): A monetary measure of the production of **goods** and **services** within a country.

Human Capital: The existing stock of education and training.

Import: **Good** or **service** produced abroad and sold domestically.

Incentive: A reward that encourages or a penalty that discourages.

Inflation: An increase in the general level of **prices**.

Interdependence: The need for individuals and firms to rely on each other as a result of **specialization**.

Interest Rate: The **price** (stated as a percentage) paid when **money** is borrowed or the **price** (stated as a percentage) received when **money** is saved.

Interest: A **cost** of **borrowing money** or the **benefit** of **saving money**.

Invention: A new process, technique, or new product.

Investment: An expenditure or activity that is intended to increase the productive capacity of the economy. (The word *investment* is also commonly used to describe an act of **saving** that leads to an increase in value, an act that is referred to as *saving* in this document.)

Labor Force: The number of people who are either working, or not working and actively seeking work.

Labor Union: A group of workers who join together to affect wage rates and working conditions.

Leisure Activity: An action performed by an individual that can satisfy the individual's own **wants** (e.g., skiing).

M1: Coins, currency, and checking account deposits.

M2: **M1** plus short-term **savings** accounts deposits and other various short term deposits.

Mandate: Government requirement.

Marginal Benefit: The additional **benefit** obtained from choosing a little more or a little less.

Marginal Cost: The additional **cost** incurred by choosing a little more or a little less.

Market: A collection of buyers and sellers of a particular **good** or **service**.

Medium of Exchange: Something used to facilitate exchange.

Monetary Trade: A **trade** in which **money** is used to pay for a **good** or **service**.

Money Supply: Currency, coins, and checking account deposits.

Money: Anything widely accepted as a final payment for **goods** and **services**, including currency, coins, or checks. **Credit** cards, while accepted for payment, are not a final form of payment. **Credit** card loans are short-term loans, not **money**.

Multiplier: The total spending generated from an initial one dollar spent.

Nominal GDP: **GDP** not adjusted for the impact that **inflation** has on the buying power of **money**.

Open Market Operations: Purchases and sales of financial assets (e.g., government bonds) by the Federal Reserve.

Opportunity Cost: The value of the best alternative given up when a **choice** is made.

Partnership: A business with multiple owners, where the owners share liability.

Per capita: Per person.

Physical Capital: The existing stock of tools and machinery.

Price Control: A governmental action that sets **price** or limits changes in the **price**. A **price ceiling** is a limit above which no **price** can go. A **price floor** is a limit below which no **price** can go.

Price Elasticity: The percentage change in quantity bought or sold that results from a one-percent change in **price**.

Price Index: A series of numbers that characterize how a set of **prices** has changed over time, where the percentage change in the **price index** provides a measure of the percentage change in the **price** level.

Price: Amount that must be paid for one unit of a **good** or **service**.

Producer: A person who combines natural, human, and/or capital **resources** to make **goods** or provide **services**.

Property Rights: The right to exclude others from using a **good** or **service** and the right to transfer ownership of a **resource**.

Public Good: A **good** or **service** whose consumption by one individual does not prevent its consumption by other individuals.

Quota: A limit on the quantity of a **good** that may be **imported** in a given time period.

Real GDP: **Nominal GDP** adjusted for negative impact that **inflation** has on buying power.

Real Interest Rate: An **interest rate** that has been adjusted for the negative effect **inflation** has on buying power.

Recession: A period of time during which the **real GDP** of the economy is decreasing. An extreme **recession** is a depression.

Reserve Requirements: The percentage of deposits that commercial **banks** must hold to meet withdrawal **demands**.

Resource: In economics, a natural, human, and capital factor utilized in the production of **goods** and **services**.

Saving: Not spending income on consumption.

Scarcity: A condition where human **wants** exceed available **resources**.

Service: An action performed by another that can satisfy **wants** (e.g., medical care).

Sole Proprietorship: A business that has a single owner, where the owner is individually liable.

Specialization: The concentration of effort on only one task or a few tasks.

Store of Value: Something used to transfer buying power into the future.

Supply: (n.) The quantity of a **good** or **service** that sellers are willing to sell. (v.) To offer to sell **goods** and **services**.

Tariff: A tax or duty imposed on **imported goods**.

Technology: In economics, the pool of existing knowledge.

Trade: Voluntarily to exchange **goods, services, or money** for other **goods, services, or money**. **Bank:** A for-profit financial institution that accepts checking and **savings** deposits, and grants loans.

Unemployment Rate: The percentage of people in the **labor force** who are not working, but are seeking work.

Unemployment: The condition of being without a job, but actively pursuing one.

Unit of Account: Something used to measure value.

Wants: Desires that can be satisfied by **goods, services, or leisure activities**. A *need* is a high priority **want**.